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September 5, 2003

Mr. Robert Harris, Regional Manager
Upper Great Plains Region
Western Area Power Administration
2900 4th Avenue North
Billings, MT 59101-1266

Dear Mr. Harris:

Please accept this letter as Central Electric Cooperative's (Central) comments for the record on the proposed rate increase for Pick Sloan Missouri Basin Program Firm Power Customers published in the Federal Register on June 13, 2003.

Central Electric Cooperative is an electric distribution cooperative, serving 4,700 members in eight counties, located in central South Dakota. Central's wholesale supplier is East River Electric Cooperative, which is a major purchaser of firm federal hydropower and relies on that bulk resource to provide wholesale service to Central Electric Cooperative Inc.

With respect to the proposed rate increase, Central Electric offers the following comments.

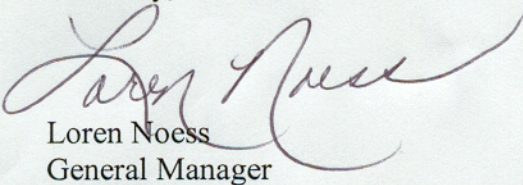
- 1. Implementation:** We strongly urge Western to implement the proposed rate adjustment using the 'two step' option. Based on the information described by Western in its June 13, 2003, Federal Register Notice, the 'two step' option generates revenue adequate to meet the federal obligations as required by law. Accordingly, in view of the substantial increase being proposed, we believe that a phased approach provides some moderation in the first year impacts of the increase and should be the preferred implementing method.
- 2. Tiered – 60% Load Factor:** We are deeply concerned by the 114% proposed increase to the portion of monthly energy over 60% load factor. Such a large increase is a substantial rate shock for Western customers. We believe Western must re-examine the basis for imposing the tiered rate in view of the substantial use among customers. We note there are many features within Western's operation which are 'pooled' for ratemaking purposes rather than singled out for special rate treatment, as is the case with the tiered rate

feature. According, we object to the substantial increase in the tiered rate as proposed and believe it should be re-examined. If Western elects to institute the tiered rate as proposed, we believe full attention should be given to both the philosophy of singling out this cost for special rate treatment and, if it is continued, the method by which it is structured should be considered before any future rate adjustment is offered.

While Central Electric strongly supports the federal power program and has high confidence in Western's capabilities, we note that the average composite rate increase of 15.4% imposes significantly unequal results among Western's customers. While we recognize that a substantial portion of this increase is driven by drought conditions, we note the substantial level of this increase and the impact it imposes on Central Electric. Accordingly, we encourage Western to carefully examine all aspects of this proposal and seek means to moderate its substantial impact on customers.

We appreciate the opportunity to submit these comments and ask that they be given due consideration as part of Western's final determination on this rate proposal.

Sincerely,

A handwritten signature in dark ink, appearing to read "Loren Noess", with a long, sweeping horizontal flourish extending to the right.

Loren Noess
General Manager

LN/sw